

EXTENSIONS OF REMARKS

JAPAN'S ROLE IN INTERNATIONAL FINANCE

HON. HOWARD L. BERMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, November 13, 1997

Mr. BERMAN. Mr. Speaker, earlier this month two of our colleagues, Mr. MATSUI and Mr. KOLBE, attended an interesting seminar on United States-Japan trade issues. I was unable to attend but received a copy of the remarks presented by Norifusa Kagami, executive director of the Export-Import Bank of Japan.

The seminar, I understand, brought together a range of viewpoints on the bilateral trading relationship between the United States and Japan—a topic of increasing concern to the Congress as we consider the impact of financial problems in Asia, including in Japan, on American markets and economic stability. Both the United States and Japan have an intense interest in resolving the region's economic difficulties. As Mr. Kagami mentions, Japan has already played a very constructive role in assisting Thailand. I imagine that they will be called upon to do much more in the coming months.

As ranking member of the Asia and Pacific Subcommittee of the House International Relations Committee, I welcome efforts at constructive cooperation between Japan and the United States in international financial markets and, of course, efforts taken by Japan to expand American exports to Japan in order to resolve our outstanding trade issues.

I think my colleagues will find Mr. Kagami's remarks of interest and following is an abridged text of his address:

SPEECH BY NORIFUSA KAGAMI, SENIOR EXECUTIVE DIRECTOR, THE EXPORT-IMPORT BANK OF JAPAN

1. OPENING

My name is Norihusa Kagami and I am from the Export-Import Bank of Japan. It is my great honor to be here. I would like to express my appreciation to Congressman Mel Levine for taking the chairmanship and acting as the moderator today. I am honored to have the presence of Congressmen James Kolbe and Robert Matsui today. They are both playing a leading role in discussion of U.S. trade issues with other countries.

What I would like to do in this presentation is to talk about the role played by JEXIM in U.S.-Japan trade relations. I would also like to touch on our Bank's financial operations in the Americas. But first, I will give you a brief overview of what JEXIM is.

2. AN OVERVIEW OF JEXIM

Our Bank was founded in 1950 with a mandate to provide support to Japan's external economic policy from the financial side. Since then, as a governmental financial institution, with government-owned capital stock of 985.5 billion yen or roughly 8.2 billion US dollars today, JEXIM has responded to Japan's changing political agenda over the years in the ways it has provided loans, guarantees and equity investment.

Our financial resources are obtained mainly through borrowings from the Trust Fund of the Ministry of Finance and bonds issued in the international capital markets. The Trust Fund Bureau manages funds deposited in savings accounts at Japanese post offices and state-sponsored basic pension funds.

Our operational aim is to supplement and encourage the activities of private financial institutions. As an independent bank, our policy is to ensure repayment and cover operational expenses through our income.

JEXIM is authorized to extend the following four main financing instruments. First, "export credit" encourages exports of ships and plants. Second, "import credit" encourages imports of energy resources and large-scale finished products such as aircraft. Third, our Bank finances Japanese direct investment abroad to help Japanese firms expand their operations overseas. Fourth is untied loans, which are loans that do not require purchase of goods and services from Japan and are provided primarily to the developing countries.

Let me say that, in our total operations, the share of export credit has been on a steady decline. In Japan, export transactions for which our Bank provides some financing accounts for a little less than 1 percent of total exports today.

Now let me take up untied loans. These loans are usually cofinanced with the World Bank, IMF or other multilateral financial institutions and are intended to improve economic infrastructure in developing nations or to strengthen international financial order. Later I will refer to this loan modality when we discuss the financial support JEXIM provided to a new debt strategy for Latin American countries under the Brady Plan.

Very recently, JEXIM has also provided an untied loan in the yen equivalent of 4 billion dollars to Thailand so that it can effectively cope with its currency crisis. This was made amid concerns that the crisis was spilling over to other Asian countries. This loan was extended to support the economic readjustment program drawn up by the Thai government in consultation with the IMF. Its objective was to uphold a stable international financial order.

This untied loan forms part of the international financial package put together by the IMF and participated in by other multilateral institutions as well as Asian countries. JEXIM's contribution was the largest, comparable with the amount committed by the IMF.

3. U.S.-JAPAN TRADE ISSUES—JEXIM'S ROLE IN TRADE FRICTION PROBLEMS

Next, I would like to take this opportunity to address the role played by JEXIM in Japan's trade issues, especially our bilateral trade frictions.

Since late 1960's when the textile trade first posed a problem between the U.S. and Japan, we have had lingering problems with automobiles since 1979 and other issues. In fact, they are still ongoing issues between our two countries. In this context, our Bank takes credit for our contribution toward easing trade friction. We have made available various financing modalities. Among them are facilities for imports of manufactured goods and direct investment abroad. Let me now describe them in detail.

A. Credit Facility for the Import of Manufactured Goods

JEXIM has a credit facility specifically for the import of manufactured goods that helps directly reduce trade and current account surpluses. This facility was set up on November 1, 1983 to foster the imports of manufactured goods to Japan. It was instituted as a result of the Japanese government's comprehensive package of economic measures in October, 1983 and in the context of a more general objective of broadening our economic interactions with other countries and promoting better external relations.

In addition, after our government decided on the emergency economic package on September 16, 1993, this facility was expanded to further increase imports. I am happy to report to you that these efforts, made by JEXIM as well as by the Japanese government, are being reflected in a rising trend of the ratio of manufactured goods to total Japanese imports. It climbed from 28.2 percent in 1983 to 58.9 percent in 1996.

JEXIM has provided financing to Japanese importers of American products to fund a variety of imports, including aircraft and communications satellites, from Boeing, AT&T, Motorola and U.S. companies. In fact, during the period from 1983, the year these loans were first made available, to 1996, imports from the United States accounted for 91 percent of the total cumulative loan commitments from this facility; undoubtedly an overwhelming portion. Further, after the revision of the Export-Import Bank Law in May, 1984 in which this facility was expanded to cover financing to exporters, JEXIM has extended direct loans to foreign exporters. Of eight such commitments, five were given to American corporations to date. One recent example was credit provided to GM and Ford for their capital investments in order to produce right-hand drive automobiles to be exported to Japan.

B. Financing Direct Investment in the United States

JEXIM has contributed to a decrease in the trade surplus not only with import credit but also with financing equity investment. It bolsters overseas operations of Japanese corporations and also induces economic and industrial collaboration in host countries, thereby promoting the international horizontal division of labor. As to investments in the United States, our Bank has helped increase U.S. employment as well as alleviating trade frictions through financial support to direct investments of our domestic automakers and semiconductor and other electronic manufacturers. One recent project involves a 300-million dollar direct loan to a joint semiconductor production venture by American and Japanese firms in Manassas, Virginia.

Currently, JEXIM is reviewing financial support to Amtrak for the Northeast corridor high-speed train project whose aim is to improve the rail linkage between Washington, D.C., New York and Boston. We are now working toward the final signing of the loan agreement.

C. Equity Participation

Another function JEXIM performs is equity participation. The first project of this kind was an investment in the United States. In 1993 our Bank made equity investment totaling 1.5 billion yen or 12 million

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

dollars together with the port authority of Los Angeles and set up a firm that manages a construction project for a coal loading terminal in Los Angeles port. The terminal will be used to export coal to East Asian countries including Japan. For our economy, it will facilitate imports of coal, while it will help boost the American coal industry.

As I have described so far, JEXIM has been making numerous cooperative efforts to date to promote projects in the United States to the extent that they are relevant to Japan. We intend to make further efforts in this area.

4. JAPAN-U.S. COOPERATION IN THIRD COUNTRY ECONOMIES

Now I would like to describe our role in third country economies from the perspective of U.S. Japan cooperation.

A. Formulating Projects for Private Infrastructure Development

Globalization is a common trend seen in business activities today, and the same trend has been noticeable in our Bank's trade financing.

The trend has been conspicuous especially in private infrastructure projects. These projects employ project financing, a financing modality where lenders take as security for their loans earning flows to be generated from the completed project and does not require sovereign guarantee of the host country. They have been carried out by international consortia of corporations, banks and consultants. This phenomenon can be accounted for by several underlying factors: a need to share the various risks inherent to such large-scale projects in developing countries that do not have sovereign guarantee; and a need to generate large profits by carrying out the project at low cost, through an optimum combination of the enterprises with their particular comparative advantages in order to emerge as a winner in global competition.

B. Paiton Coal-Fired Thermal Power Project

Japan and the United States have formed a strong cooperative relationship in carrying out private infrastructure development projects in developing countries or more generally projects in third countries. I note that the export-import banks of both countries have played an important role in this process. JEXIM and US Xim Bank entered into a Cooperation Agreement in 1991 and have since taken part in many projects together, mainly in East Asia. The project to build a coal-fired thermal power station by P.T. Paiton Energy Company in Indonesia, for which loan commitments were made in 1995, may be cited as a representative example of joint projects pursued by the two institutions. This was a large-scale project worth 9 hundred million dollars. It attracted world attention. And those who participated in this financing were not only US Xim Bank but also OPIC (the Overseas Private Investment Corporation) and the leading banks of the United States and Japan. I may add that among the American participants in this project are Mission Energy Company as the project sponsor and General Electric as equipment supplier.

C. Sakhalin II Project

The Sakhalin II Project may be cited as another example of US-Japan joint finance projects. This is an ongoing project, now at the final stage toward the signing of the loan agreement in December. In this deal, JEXIM, EBRD (European Bank for Reconstruction and Development), and OPIC are collaborating to move forward in Russia a joint oil development project among the United States, Europe, and Japan. We believe it is a significant international cooperative project. Let me mention that Marathon Oil Company is

participating in this project as the largest sponsor.

D. 30 Percent Content Rule for Export Credit

Projects undertaken by international consortiums bring out the best of what JEXIM does. While official export credit ordinarily requires a fairly high ratio of home goods content in the export contract JEXIM takes a more flexible position, requiring only about 30 percent Japanese goods content. In other words, the remaining 70 percent that we finance is open to goods and services from other countries.

As I mentioned before, project financing is usually structured by an international consortium. And it is a fact that on numerous occasions, Japanese and American firms form such consortia. That means American participants can obtain financing from our Bank on the same terms and conditions as their Japanese counterparts, provided that the 30 percent content rule is fulfilled. A point I would like to make is that JEXIM is contributing to the expansion of U.S. exports even if it is not apparent on the surface.

5. CONCLUSION

If we want to shape a sustainable good economic relationship between the United States and Japan, collaboration in third country economies is a factor of great significance. In this context, JEXIM recognizes the growing importance of its collaboration with U.S. official financial institutions.

I would like to say now that this is a good occasion for me to hear American perspectives. I will be grateful if you share your thoughts with me on the points I have made. Thank you.

TRIBUTE TO GABRIEL A. EREM ON THE 25TH ANNIVERSARY OF HIS ESTABLISHMENT OF LIFESTYLES MAGAZINE

HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, November 13, 1997

Mr. LANTOS. Mr. Speaker, I invite my colleagues to join me in congratulating Gabriel Erem, the publisher of *Lifestyles* magazine, upon the 25th anniversary of the establishment of his prestigious publication. On its 25th anniversary, *Lifestyles* features an outstanding governing committee: They are: Mr. Erem, national director of the Anti-Defamation League, Abraham H. Foxman, philanthropist and humanitarian, Mrs. Ludwig Jesselson, philanthropist and community leader, Ambassador Ronald S. Lauder, international business leader, Professor Peter Littman, futurist and bestselling author, Faith Popcorn, international marketing guru and recipient of the French Legion of Honor, Michel Roux, community and business leader, Howard Rubenstein, founder of the Appeal of Conscience Foundation, Rabbi Arthur Schneier, violin virtuoso and chairman of Carnegie Hall, Isaac Stern, community leader and philanthropist, Andrew Tisch, international Jewish leader, Peggy Tischman, and Nobel Laureate, Elie Wiesel.

In order to understand why *Lifestyles* magazine was created, one must first learn about the personal history of its publisher, Gabriel Erem. Mr. Erem was born in Hungary right after the Second World War. During that war, 186 members of his family perished in the gas chambers of Auschwitz. Twenty-five years ago, when Mr. Erem started *Lifestyles* maga-

zine, his goal was to show Jewish contributions to the world. Currently, Mr. Erem serves in a volunteer capacity on the committees of many worthy charities and organizations. One of them is the prestigious Weizmann Institute of Science in Israel. Mr. Erem related to me that during a recent dinner for the institute in which *Lifestyles* magazine participated, there were 44 individuals honored for their contributions to medical research. All of these 44 individuals were recipients of the Nobel Prize in their respective fields.

Mr. Erem recently told me of a private talk he had with the late Prime Minister of Israel, Golda Meir, following the Yom Kippur war. Mrs. Meir said to him that "the world does not understand what it means to lose 6 million human beings to a systematic massacre." The Prime Minister then continued, "The real tragedy is that the world does not seem to understand that it is not only those 6 million human beings that we are missing, but that it is the generations that will never happen after them." Steven Spielberg's film "Schindler's List" made a similar point when, at the conclusion of the movie, the following words appeared on the screen: "From the 1,100 human beings Oskar Schindler saved, today there are more than 6,000 descendants alive."

Remembering what Golda Meir said and using the equation at the end of Schindler's List, Gabriel Erem pointed out to me that during the Holocaust we lost a potential of over 36 million human beings who could have been members of our society. Just ask yourselves a question: How many Einsteins? How many Nobel Laureates? How many great philosophers, doctors, scientists, * * *? We will never know. It is not only a Jewish loss—it is the world's loss as well.

Lifestyles magazine was established to salute Jewish contributions in all arenas of life. Jewish-Americans of all backgrounds, professional and philanthropic interests consider it an honor and a privilege to be included in this most prestigious publication. Over the past 25 years, one could read on its pages exciting, intimate profiles of extraordinary human beings ranging from Nobel Laureate Elie Wiesel to the musical giant Isaac Stern and thousands of individuals who excelled in their various fields, making this world a better place. *Lifestyles* magazine has also treated its subjects with the utmost seriousness, and it has established itself as a respected voice of integrity. Each issue is dedicated to helping humanitarian causes of all kinds. Working hand in glove with virtually hundreds of humanitarian causes, its publication not only serves as a mirror of North American Jewish society for the past quarter century, but also as a beacon of charitable giving. *Lifestyles* magazine's commitment to advancing the Nation's democratic principles is also underscored by its constant activities in the fields of culture, business and the sciences.

Gabriel Erem, a child of Holocaust survivors, is being saluted for his passionate commitment to teaching Jewish history and culture and preserving the Jewish legacy to the world. Recently, Gabriel Erem made a sizable contribution to Holocaust education in our country by dedicating an entire issue of *Lifestyles* magazine to describing the goals of Steven Spielberg's Shoah Foundation, an organization committed to teaching future generations about the lessons of the Holocaust.

Mr. Speaker, Gabriel Erem is a man of outstanding commitment and accomplishment in